

**SERVICE INNOVATION: CASE STUDY ON SPA AND MED
BEAUTY AT THE SAUJANA**

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ABSTRAK

Industri spa di Malaysia saat ini mengalami pertumbuhan dan potensi yang sangat baik. Spa di Malaysia terus menjadi kekuatan budaya yang bersangkutan, tidak hanya mempengaruhi bagaimana pelanggan menjaga kesihatan, kesejahteraan, dan penampilan tetapi juga bagaimana mereka bekerja, melakukan perjalanan, dan bersosialisasi. Seiring dengan peningkatan kesihatan fizikal, terapi spa menjadi semakin popular di Malaysia dan sangat disarankan oleh kebanyakan doktor. Oleh itu berlaku banyak persaingan dalam industri ini. Tujuan kajian ini dijalankan ialah untuk mengenalpasti apakah elemen-elemen utama dalam inovasi perkhidmatan yang boleh membantu industri spa untuk terus berkembang maju dan berdaya bersaing. Oleh itu kajian ini memfokuskan kepada Spa and Med Beauty at The Saujana untuk mengkaji apakah inovasi perkhidmatan yang telah dilakukan melalui pengenalpastian keperluan persaingan dan kemudiannya kelebihan persaingan yang membawa kepada inovasi dalam perniagaan spa di Spa and Med Beauty at The Saujana. Kaedah pengutipan data utama ialah melalui temuduga dengan pengurus pemasaran, pengurus spa, pengurus latihan dan pembangunan, juru terapi serta pelanggan spa. Hasil daripada kajian ini telah merumuskan tiga asas keperluan persaingan yang diperlukan oleh semua spa untuk beroperasi iaitu fasiliti, perkhidmatan yang ditawarkan dan perhubungan pelanggan. Melalui keperluan persaingan ini dapat dikenalpasti kelebihan persaingan yang dimiliki oleh spa ini iaitu bilik rawatan, tempat meletak kenderaan, mandian, rawatan urutan, rawatan badan, rawatan kaki dan tangan, rawatan mandian dan pilihan pilihan rawatan. Hasil daripada analisis mendapati elemen-elemen utama inovasi yang dilakukan ialah pelanggan fokus, proses fokus, dan peningkatan berterusan.

ABSTRACT

The spa industry in Malaysia is currently undergoing excellent growth potential and spas in Malaysia are steadily becoming a pertinent cultural force, influencing not only how consumers care for their health, well-being, and appearance but also how they work, travel, socialize, and spiritualise. As interest in physical wellness increases, spa therapy becomes increasingly popular in Malaysia and is highly recommended by many medical specialists. As a result, spas are challenged with increasing competition. Purpose of this study was to identify the key elements of service innovation that can help spa industry to continue growing and able to compete. Therefore, this study focuses on the Spa and Med Beauty at The Saujana to study the service innovation that have been done through the identification of competitive necessity and then the competitive advantage that leads to service innovation in business at the Spa and Med Beauty at The Saujana. The main data collection method was through interviews with marketing manager, spa manager, manager training and development, therapist and spa customers. Results of this study was to formulate the three basic competitive necessity required by the entire spa to operate; facilities, services and customer relations. Through a competitive necessity can be identified competitive advantage held by the spa; treatment rooms, parking, shower, massage treatments, body treatments, hand and foot treatment, bath treatment and treatment options. The results of the analysis identified the key elements of service innovation in the spa are customer focus, process focus and continuous improvement.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Spas have become a pertinent cultural force, influencing not only how consumers manage their health, appearance, and stress, but also how consumers socialize, spiritualize, travel, and work (Scott, 2005). Rising levels of income, education, and sophistication among travellers and consumers worldwide have dramatically elevated the consciousness and desirability of spa treatments. The market potential of spa development is being captured by global and premium-brand spas that have expanded their service menus. At the same time, establishments that offer traditional bathing, healing, herbal, and therapeutic treatments derived from centuries-old practices also recognized the potential of branding themselves as spas, and some are investing in new services, equipment, facilities, as well as modifying their ambience. European bath houses and saunas, Japanese onsens, Turkish-style hammams, Indian ayurveda centers, and Thai massage establishments do not necessarily fit the traditional Western concept or business model of spas, but a certain portion of these have begun and will continue to cross over to the spa market as they evolve and adapt to the needs and desires of modern consumers (The Global Spa Economy 2007).

As interest in physical well-being increases, spa therapy has become popular among consumers and has been recommended by many medical specialists (Koh, 2009). Malaysia has the second highest per capita income in the region, 4.5% growth, and is a stable country in the otherwise volatile Southeast Asia. The spa market is strong and

continues to grow. The Asia-Pacific is the world's third largest spa market in terms of revenue and the second largest market in terms of number of spas. The industry size is estimated at USD\$11.4 billion in 2007, with 21,566 spas and 363,648 employees. Recently in February 2010, Deputy Tourism Minister Datuk Dr James Dawos Mamit states that government will continue to support the spa and wellness industry by introducing measures where appropriate to help the industry to compete on a global basis. (Source: <http://www.bernama.com/bernama/v5/newsbusiness.php?id=473517>).

Spa industry plays a vital role in the Malaysian economy and is considered being the backbone of health development in the country but at the same time spa industry faces increasing competition. Players in this industry must be able to keep and attract new customers by satisfying their increasingly sophisticated demands. Customers in particular are more than ever before looking for “new” and “unique” experiences. To meet these new challenges there has recently been more emphasis on “service innovation” in the spa industry. Although innovation requires creative thinking, coming up with new ideas is only the first step in ensuring successful service innovations. To detail the elements of service innovation and to determine ways to support successful innovations, this study is conducted to examine the issues surrounding service innovation.

1.1 Background

Many people are still unclear as to what kind of services that a spa offers. This is because in numerous instances, the services available at the spas in Malaysia are nothing more than those provided in a beauty salon. Rightfully, a spa should offer much more. Introduced by the Romans during the Hippocratic era in 400BC, 'spa' is an acronym for the Latin Solus Per Aqua (treatment through the use of water) where streams of hot water were directed on the battle-weary bodies of Roman legionnaires, providing relief from exhaustion as well as to treat battle-inflicted scars and wounds. The oldest spa in Rome, located in Merano, Italy is still popular to this day, attesting to the enduring popularity of hydrotherapy. Spas in the form of natural 120-degree Fahrenheit hot springs also existed in Bath, England since the eighteenth century. These are normally set against a backdrop of beautiful natural settings like a mountain or a lake. The oldest spa in America, located at Saratoga Hot Springs, New York, in the beginning was used by the Mohawk Indians. By 1970, American spas became highly commercialised with the inclusion of boarding and a host of personalized services. In Asia, people are more at home with soaking themselves in natural hot springs. Realizing the benefits derived from the use of hydrotherapy, modern societies in the 21st century began patronizing spas more often. Apparently, spas are currently more popular with women than men. A regular visit to the spa is said to bring relief from internal ailments, rejuvenate the body in addition to providing oxygen to the skin and joints. It would also make for a taut skin, stronger joints, increase resistance to diseases, increase body metabolism and relief mental stress and pressure.

(Source: <http://web7.bernama.com/events/tmm2007/news.php?id=300918>)

A new survey conducted by Intelligent Spas found that spa numbers in Malaysia have grown over 200% since 2002, to 175 spas in 2007. The report, entitled Spa Industry Profile Malaysia 2002-2007, features over 850 quantitative statistics on the Malaysian spa market as well as supporting qualitative trends and observations from spa owners and managers. The survey provides a valuable tool for businesses competing in, or supporting the spa industry, to more accurately develop and plan spa-related products, services, campaigns and initiatives.

(Source: <http://www.asiatraveltips.com/news06/1512-SpasinMalaysia.shtml>)

According to the Deputy Minister of Entrepreneur and Cooperative Development Datuk Khamsiyah Yeop, the spa industry can generate considerable income for the country through collaborations with the tourism industry. "The spa industry has been working together with Tourism Malaysia. When the tourists arrive, they would check in at hotels and would use the spa facilities. This can contribute to the country's economy," she said.

(Source: <http://web7.bernama.com/events/tmm2007/news.php?id=300918>)

For the Spas industry, innovation is the oxygen that keeps concepts fresh and which attracts new customers, as well as encourages repeat customers. Although innovation requires creative thinking, coming up with a new idea is only the first step in ensuring successful service innovations.

Service organizations are constantly attempting to find innovative ways to serve customers more effectively and efficiently. Innovation is one of the main determinants of competitiveness. Even though they recognize service innovation as being essential, service organizations also face particular challenges in their

innovation efforts. Although innovation requires creative thinking, coming up with a new idea is only the first step in ensuring successful service innovations (Cornell Hospitality roundtable Proceedings, 2008)

1.2 Problem Statement

Spa industry in Malaysia is still new and growing. In order to continue growing and competitive in the industry, spas have to make innovations in the services offered. Through service innovation that will be able to distinguish a spa with another. Spa and Med Beauty at The Saujana is chosen in this case is a new spa that is operated in November 2009. As a new spa, there are many innovations that this spa has to do, to be competitive with other competitors. In order to remain competitive, The Spa and Med Beauty at The Saujana need to do a service innovation for services rendered are the best and to maintain competitiveness.

To become competitive in the industry, spa needs to do innovation. Effective service innovation will help the spa industry to become competitive by providing services that are more innovative and will help generate income for spa. Spa must create new business opportunities. Therefore, service innovation is both market oriented behaviour and business development strategy. The process of service innovation helps spa to create knowledge and accumulate experiences through learning. Service innovation demand derives from a lack of required competences and capabilities to serve customers.

Service innovation can impact on interactions (customers); experience (finding, obtaining, installing, maintaining, upgrading and disposing of products); capabilities

(organizations to create value with stakeholders); and delivering (better self services, eliminating waiting and allowing 24/7 access via modern devices such as mobile phones, web browsers and kiosks) (IfM and IBM, 2008).

1.3 Research Objectives

Therefore, this study attempts to accomplish four main objectives as follow:

1. To identify the competitive necessities needed to run the spa business.
2. To identify what is service innovation in spa industry.
3. To identify the tools and techniques for fostering effective service innovation in spa industry.
4. To examine the challenges, trends, and the future of service innovation in spa industry.

1.4 Research Questions

1. What are the competitive necessities of the spa business?
2. How competitive necessity will create competitive advantage to The Spa and Med Beauty at The Saujana?
3. How the key element of service innovation will help The Spa and Med Beauty at The Saujana remain competitive?
4. How strengths, weaknesses, opportunities and threats will help the spa to create better innovation strategies?
5. What are the tools and techniques for fostering effective service innovation in spa industry?

6. What are the challenges, trends, and the future of service innovation in spa industry?

1.5 Significance of the Study

The importance of this study is that it can help to provide new perspectives on service innovation in spa industry in Malaysia. The points raised in this research point to ways to develop knowledge about service innovation. Service innovations face a number of challenges, given the complexity and intangibility of services, and also given the simultaneous occurrence of production and consumption (Verma et al., 2008). Through application service innovation by spa industry will be able to generate more creative ideas, will help develop and promote the spa industry, then the best service can be offered to the community, to help generate the economy through the entry of foreign investment due to the service's quality and thus generate employment opportunities to the community. In addition, this study seeks to correct the public misconception on spas. This is because there is misunderstanding among people that the spa serves as a place that offers immoral activities despite the treatment being offered. The society needs to understand the real meaning and concept of a spa.

This study also to help create branding of spa is accurately executed with proper profiling of a spa, that fulfil the criteria of a spa such as size and number of treatment rooms, types of treatment offered and so on. This research will focus on the Med Spa and Beauty at The Saujana to analyze service innovation that was done to remain competitive. The case on Spa and Med Beauty at The Saujana will help to highlight the profile of a hotel/resort spa-in perspective of its customer focused, facilities and services in achieving competitive advantage.

The results of this research will help spas in Malaysia to improve the service offered to customers. In this study therefore, is expected to help the spa industry to identify the key elements of service innovation, and spa industry can use the results from this study further to strengthen the service innovation and provide the best service to customers.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the introduction to spa industry, spa industry in Europe and North America, spa industry in Asia Pacific, spa industry analysis in Malaysia and case study on Spa and Med Beauty at The Saujana. After that discussion continued with a description of the service innovation which includes opportunities for service innovation, key elements of service innovation, innovation: product versus service, and challenges, trends and the future of service innovation.

2.1 Introduction to Spa

Ten years ago, spas were primarily viewed as fat farms and pampering palaces for the rich and famous. Today, spas are viewed as an integral part of people's lives. According to the latest Global Spa Research of ISPA (International Spa Association) estimated point to nearly 100 million active spas globally.

According to The Global Spa Economy 2007 report, there are estimates that the total size of the global spa economy in 2007 was USD254.7 billion. This estimate includes USD60.3 billion in core spa industries and an additional USD194.4 billion in spa-enabled industries, as shown in the Table 2.1.

Table 2.1

Size of the Global Spa Industry, 2007

Size of the Global Spa Industry, 2007 (US\$ billions)	
Core Spa Industries	\$60.31
Spa Facility Operations	\$46.81
Spa Capital Investments	\$12.99
Spa Education	\$0.31
Spa Consulting	\$0.07
Spa Media, Associations, & Events	\$0.13
Spa-Branded Products	n.a.
Spa-Enabled Industries	\$194.35
Spa-Related Hospitality & Tourism	\$106.05
Spa-Related Real Estate	\$88.30
Total Spa Economy	\$254.66

(Source: The Global Spa Economy 2007)

What is a Spa?

Introduced by the Romans during the Hippocratic era in 400BC, 'spa' is an acronym for the Latin Solus Per Aqua (treatment through the use of water) where streams of hot water were directed on the battle-weary bodies of Roman legionnaires, providing relief from exhaustion as well as to treat battle-inflicted scars and wounds.

(Source: <http://web7.bernama.com/events/tmm2007/news.php?id=300918>)

Spas are entities devoted to enhancing overall well-being through a variety of professional services that encourage the renewal of mind, body and spirit. (Definition of spa from International SPA Association) For the purposes of reliable industry benchmarking, Intelligent Spas defines "spa" as:

"A business offering water-based treatments practiced by qualified personnel in a professional, relaxing and healing environment". This definition was developed to

support the original meaning of spa being "healing through water". Water-based treatments may include body wraps, body scrubs, baths, and so on. A relaxing and healing environment distinguishes spas from standard beauty salons and clinical medical centres that are not promoted as spa businesses. Qualified personnel include employees who have successfully completed professional external training courses and/or on-the-job training of relevant standard operating and treatment procedures required of a professional spa businesses.

Spa Typologies

Based on The Global Spa Economy 2007, there are four general categories, or "typologies," of spas, as described below:

- **Day/Club/Salon Spas.**

Facilities that offer a variety of spa services (e.g., massage, facials, body treatments, etc.) by trained professionals on a day-use basis. They typically offer private treatment rooms and a quiet and peaceful atmosphere. Club spas are similar to day spas, but operate out of facilities whose primary purpose is fitness. Salon spas are also similar in nature, but operate out of facilities that provide beauty services (such as hair, make-up, nails, etc.).

- **Destination Spas and Health Resorts.**

Offer a full-immersion spa experience in which all guests participate. All-inclusive programs provide various spa and body treatments along with a myriad of other offerings such as: fitness activities, healthy cuisine,

educational classes, nutrition counselling, weight loss programs, preventive or curative medical services, and mind/body/spirit offerings. There are similarities between business structures (e.g., overnight stays in which all guests participate in full-immersion spa and wellness-based activities), this report includes traditional European-style health resorts and Indian ayurvedic resorts in the same category as destination spas.

- **Hotel/Resort Spas.**

Similar to a day spa, but the spa facility is located within a resort or hotel property. Unlike destination spas, at hotel/resort spas services are typically paid for on an à la carte basis. Spa treatments and services generally complement a hotel stay or a wide range of other activities at a resort.

- **Medical Spas.**

A spa facility operates under the full-time, on-site supervision of a licensed healthcare professional. Provides comprehensive medical and/or wellness care in an environment integrates spa services with traditional or alternative medical therapies and treatments.

In 2007 there were an estimated 71,762 spas operating around the world, including:

- 45,113 day/club/salon spas;
- 11,489 hotel/resort spas;
- 1,485 destination spas and health resorts;
- 4,274 medical spas; and
- 9,310 “other” spas such as cruise ship spas and single service spas.

Together, these spas generated an estimated USD46.8 billion in revenues and employed an estimated 1.2 million persons in 2007 as shown in the Table 2.2.

Table 2.2

Global Spa Facilities by Type, 2007

Global Spa Facilities by Type, 2007			
	Estimated Total Number of Spas	Estimated Total Spa Revenues (US\$ billions)	Estimated Total Spa Employment
Day/Club/Salon Spas	45,113	\$21.0	659,106
Hotel/Resort Spas	11,489	\$12.6	269,363
Destination Spas & Health Resorts	1,485	\$6.2	112,239
Medical Spas	4,274	\$4.6	51,843
Other Spas	9,310	\$2.4	130,958
Total	71,672	\$46.8	1,223,510

(Source: The Global Spa Economy 2007)

As shown in Figure 2.1, in term of distribution, day/club/salon spas comprise of 62.5%, hotel/resort spas 16.0%, medical spas 6.0%, destination spas and health resorts 2.15% and other spas 13.0%.

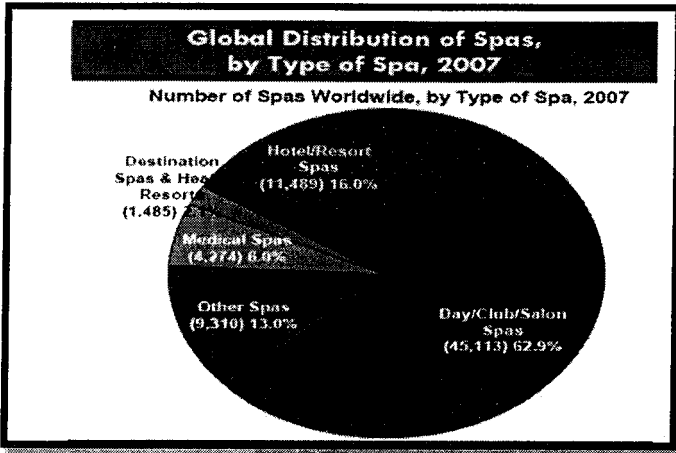


Figure 2.1 Global Distributions of Spas, by Type of Spa, 2007

(Source: The Global Spa Economy 2007)

In terms of revenues, as shown in Figure 2.2, hotel/resort spas and destination spas/health resorts account for 13.2%, hotel/resort spas 26.9%, day/club/salon 44.9%, medical spas 9.9% and other spas 5.1%.

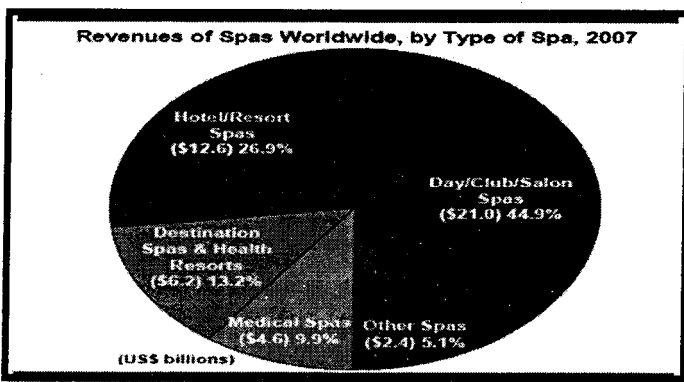


Figure 2.2 Revenues of Spas Worldwide, by Type of Spa, 2007

(Source: The Global Spa Economy 2007)

As shown in Figure 2.3, in term of employment by spas worldwide, day/club/salon spas comprise of 53.9%, hotel/resort spas 22.0%, destination spas and health resorts 9.2%, medical spas 4.2% and other spas 10.7%.

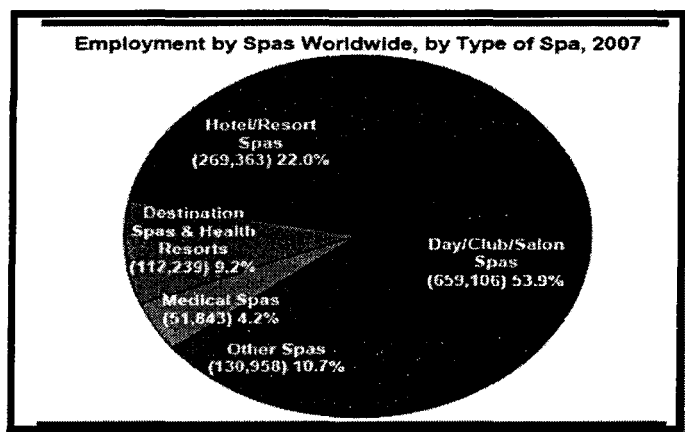


Figure 2.3 Employments by Spas Worldwide, by Type of Spa, 2007

(Source: The Global Spa Economy 2007)

Among the world's top 20 largest spa-going countries in terms of revenues, all are located within the three top regions (as shown in the Table 2.3). The five largest countries in terms of revenue (United States, Japan, Germany, France, and Italy) account for over 55% of industry revenues worldwide. The twenty largest countries, as shown in the Table 2.3, account for 85% of world revenues. Eleven countries in the world have spa revenues over \$1 billion annually. (Source: The Global Spa Economy 2007).

Table 2.3

Global Spa Facilities by Region, 2007

Global Spa Facilities by Region, 2007			
	Estimated Total Number of Spas	Estimated Total Spa Revenues (US\$ billions)	Estimated Total Spa Employment
Europe	22,607	\$18.4	441,727
Asia-Pacific	21,566	\$11.4	363,648
North America	20,662	\$13.5	307,229
Middle East-North Africa	1,014	\$0.7	20,938
Latin America-Caribbean	5,435	\$2.5	82,694
Africa	389	\$0.3	7,273
Total	71,672	\$46.8	1,223,510

(Source: The Global Spa Economy 2007)

2.2 Spa Industry Europe and North America

Europe

As shown in Table 2.4, in terms of revenues, number of spas, and employment, Europe is the largest regional spa market in the world. It had an estimated 22,607 spas in 2007 earning USD18.4 billion in revenues and employing 441,727 people. Average day/club/salon spas are assumed to range in size from USD125,000 to USD660,000 in revenues and from 5 to 25 employees. The “other” spas category, which primarily captures establishments that have their roots in Europe’s sauna and bath house traditions, are estimated to be slightly smaller than day/club/salon spas. Typical medical spas are estimated at USD320,000 to USD1.2 million, with 4 to 12 employees. Average hotel/resort spa revenues range from USD450,000 to USD1.5 million and from 10 to 24 employees across different countries in the region. Destination spas and health resorts are comparatively larger, because the entire revenues and employment of these facilities (including lodging, food, spa, and all

other services) are counted as part of the spa economy. On average, they range from USD1.5 to USD5.5 million and 30 to 100 employees.

Table 2.4

Spa Facilities in Europe, 2007

Spa Facilities in Europe, 2007			
	Estimated Total Number of Spas	Estimated Total Spa Revenues (US\$ billions)	Estimated Total Spa Employment
Day/Club/Salon Spas	14,933	\$7.55	237,473
Hotel/Resort Spas	4,297	\$4.61	84,117
Destination Spas/Health Resorts	1,202	\$4.93	91,962
Medical Spas	913	\$0.87	9,248
Other Spas	1,262	\$0.39	18,927
Total	22,607	\$18.35	441,727

(Source: The Global Spa Economy 2007)

North America

The total number of spa in North America s estimated 20,662 spas had approximately USD13.5 billion in revenues and 307,229 employees in 2007 as shown in Table 2.5. The North American market is dominated by day/club/salon spas and hotel/resort spas, which together comprise nearly 75% of industry revenues in the region. The “other” spas category in North America represented about 4% of industry revenues in 2007.

Day/club/salon spas are estimated to range, on average, from USD200,000 to USD500,000 in revenues, and larger establishments may exceed USD1 million in revenues. They typically range from 8 to 15 employees. The “other” spas category

ranging from USD100,000 to USD400,000 of revenues and from 5 to 10 employees. Average hotel/resort spas in North America earn USD850,000 to USD1.8 million in revenues, with 11 to 35 employees. Destination spas and health resorts can range from USD2.5 million to USD20 million and upwards, and from 40 to 100+ employees. Medical spas comprise of 18% in term of revenues and are estimated to earn an average of USD1.2 million annually and have 12 to 15 employees.

Table 2.5

Spa Facilities in North America, 2007

Spa Facilities in North America, 2007			
	Estimated Total Number of Spas	Estimated Total Spa Revenues (US\$ billions)	Estimated Total Spa Employment
Day/Club/Salon Spas	15,355	\$6.67	201,272
Hotel/Resort Spas	2,090	\$3.32	61,945
Destination Spas/Health Resorts	138	\$0.61	11,281
Medical Spas	2,081	\$2.39	26,332
Other Spas	998	\$0.54	6,400
Total	20,662	\$13.53	307,229

(Source: The Global Spa Economy 2007)

2.3 Spa Industry in Asia-Pacific

Asia-Pacific is the world's third largest spa market in terms of revenues and second largest market in terms of number of spas. The industry size is estimated at USD11.4 billion in 2007, with 21,566 spas and 363,648 employees as shown in Table 2.6. Spas are a relatively new, but high growth industry in Asia-Pacific. Across the region – and especially in the emerging market countries of south/southeast Asia and the Pacific

islands – the market is typically dominated by large hotel/resort spas catering to international tourists.

However, some of the middle and upper income countries (namely, Japan, Korea, Hong Kong, Singapore, Australia, and New Zealand) also have a significant day/club/salon spa sector serving the local market. Medical spas are a new, but rapidly growing sector in parts of Asia, linked with a rising interest in medical tourism in the region. While the Asian spa industry is considered to be “new” based on its modern/Western conceptualization, the region has a remarkable number of culturally-based healing and wellness therapies that have evolved over thousands of years. Facilities and practitioners that offer these traditional services are beginning to see the value of adding spa services and amenities and aligning themselves with the spa industry. The “other” spas category for Asia-Pacific attempts to capture this trend by quantifying the number of traditional practitioners that have crossed into the spa market. These traditions vary from country-to-country and include: onsens and sentos in Japan, bath houses in Korea, ayurveda centers in India, Thai massage practitioners in Thailand, Chinese medicine/massage practitioners in China and other southeast Asian countries, and so on. These “emerging” spas represent an estimated 13% of industry revenues in Asia-Pacific.

Asia-Pacific has a handful of developed/wealthy economies with per capita GDPs in the USD30,000 to USD45,000 range (such as Australia, New Zealand, Hong Kong, Japan, and Singapore), along with a large number of low income countries with incomes of USD1,500 to USD3,000. Average spa sizes and revenues vary accordingly. “Typical” day/club/salon spas in Asia-Pacific range from USD75,000 to USD800,000 of revenues and 6 to 25 employees, depending on a country’s level of development. “Other” spas include Japanese onsens, Indian ayurveda centres, Thai

and Chinese massage practitioners, and other culturally-rooted wellness traditions that have morphed into spas. They are typically estimated to be two-thirds to one-half the size of day/club/salon spas. Asian hotel/resort spa revenues are comparable to those in other high income regions due to a concentration of wealthy clientele among locals and tourists. This sector is segmented by upscale, globally branded spas and mid-range hotel/resort spas serving a growing local middle class market in countries such as China and India. Average Asian hotel/resort spa revenues are assumed to be USD250,000 to USD2.2 million, with 10 to 37 employees. Most destination spas and health resorts revenue are estimated at USD1 million to USD5 million and 30-125 employees (including lodging and food in addition to spa services). At the high end of the market are a handful of premier destination spas with revenues upwards of \$20 million. At the low end of the market are a significant number of ayurveda-based spa resorts in India that cater to both the local and foreign market. Asian medical spas are estimated to range, on average, from USD750,000 to USD1.3 million, and 10 to 17 employees. They are a relatively new portion of the market in Asia and are assumed to be located only in the higher income countries. (Source: The Global Spa Economy, 2007)

Table 2.6

Spa Facilities in Asia Pacific, 2007

Spa Facilities in Asia-Pacific, 2007			
	Estimated Total Number of Spas	Estimated Total Spa Revenues (US\$ billions)	Estimated Total Spa Employment
Day/Club/Salon Spas	10,805	\$5.57	162,733
Hotel/Resort Spas	2,944	\$3.04	80,162
Destination Spas/Health Resorts	82*	\$0.28	3,937
Medical Spas	939	\$1.05	12,430
Other Spas	6,796	\$1.44	104,387
Total	21,566	\$11.39	363,648

*This figure is larger than might be expected because it includes a number of health resorts in Australia and New Zealand, as well as ayurvedic resorts in India.

(Source: The Global Spa Economy 2007)

2.4 Spa Industry Analysis in Malaysia

According to a survey by Intelligent Spas, the number of spas in Malaysia has grown over 200% from 2002 to 2007. In 2007, there were more than 170 spas operating and earning an average RM1,000 per day in sales. The industry in Malaysia is still growing and it is expected to reach 250 outlets by 2011, according to Euromonitor International 2007 Country Sector Briefing.

The report, entitled Spa Industry Profile Malaysia 2002-2007, features over 850 quantitative statistics on the Malaysian spa market as well as supporting qualitative trends and observations from spa owners and managers.

Some key highlight from the report conducted by Intelligent Spas includes:

- In 2007, Intelligent Spas identified 175 spa facilities in Malaysia.
- 54% are day spas and 40% are spas located in hotels, resorts or retreats (destination spas).

- The average indoor area of spa facilities in Malaysia is 393 square metres.
- 51% of the total spa space is allocated to treatment rooms.
- Spas contain 7.7 treatment rooms on average.
- 50% of spas have a relaxation room compared to 16% that arranges access for their visitors to use a nearby relaxation room.
- Baths with water and/or air jets are provided by 49% of respondents.
- One hour body wraps are priced from RM164 on average.
- Herbal tea is the most common complimentary food or beverage item provided by spas, with 87% offering it to visitors.
- Increased interest in traditional massage treatment is the most common current industry trend observed by spa owners and managers.
- 26% of spas surveyed state there is increased customer awareness about spas.

In addition, the key differences between day spas and destination spas, as well as spas located within the different states of Malaysia are further analysed as follows:

- Day spas are larger in terms of indoor space when compared to destination spas.
- Destination spas contain more treatment rooms than day spas.
- Relaxation rooms are more commonly found in day spas.
- Destination spas are more likely to provide tub soaks.
- Spa facilities located in Kuala Lumpur were over twice the size in terms of indoor area compared to spas in other states.
- Selangor spas contained more treatment rooms compared to spas in the other states.
- Reflexology is more commonly offered at spas in Johor.

- A higher proportion of respondents in Kedah state they offered complimentary authentic spa cuisine to visitors.

(Source: Intelligent Spas, Spa Industry Profile Malaysia 2002-2007)

Based on data sources from Intelligent Spas, Spa Industry Profile Malaysia 2002-2007, Spa Industry Profile Philippines 2003-2007, Spa Industry Profile Singapore 2003-2008 and Intelligent Spas, and Thailand Spa Benchmark Report, 2002-2010 and as shown in Figure 2.4, this study finds that spa industry in Malaysia has the largest growth of 200% (from 2002 to 2007) compared to other Asian countries namely Thailand, Singapore and Philippines.

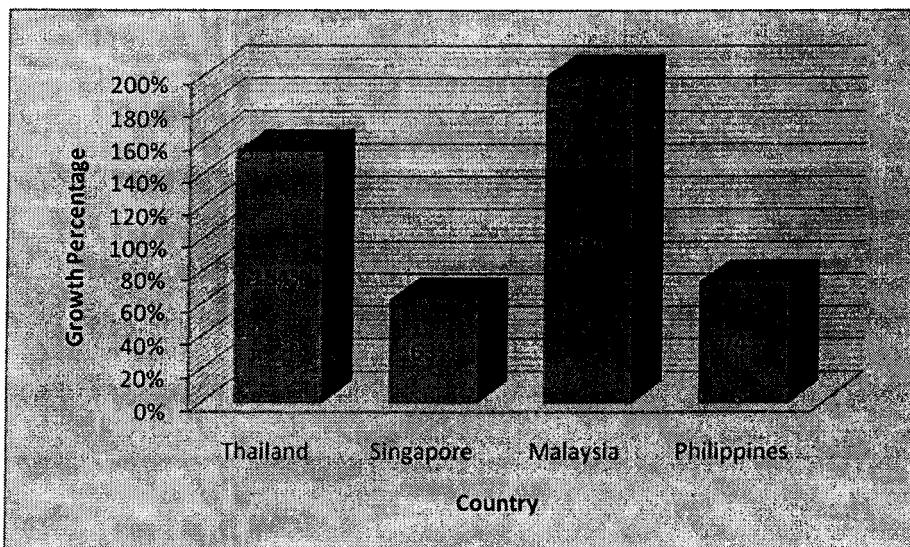


Figure 2.4 Spa Industry Growths since 2002 to 2007

(Analysis based on data sourced from: Intelligent Spas, Spa Industry Profile Malaysia 2002-2007, Spa Industry Profile Philippines 2003-2007, Spa Industry Profile

Singapore 2003-2008 and Intelligent Spas, and Thailand Spa Benchmark Report, 2002-2010)

Although growth percentage of spa industry in Malaysia was 200% since 2002 to 2007, but the number of spas in Malaysia is low compared to Thailand and Indonesia as shown in Figure 2.5, it is therefore necessary for the growth in the Malaysia spa industry to be significant as reported in Figure 2.4.

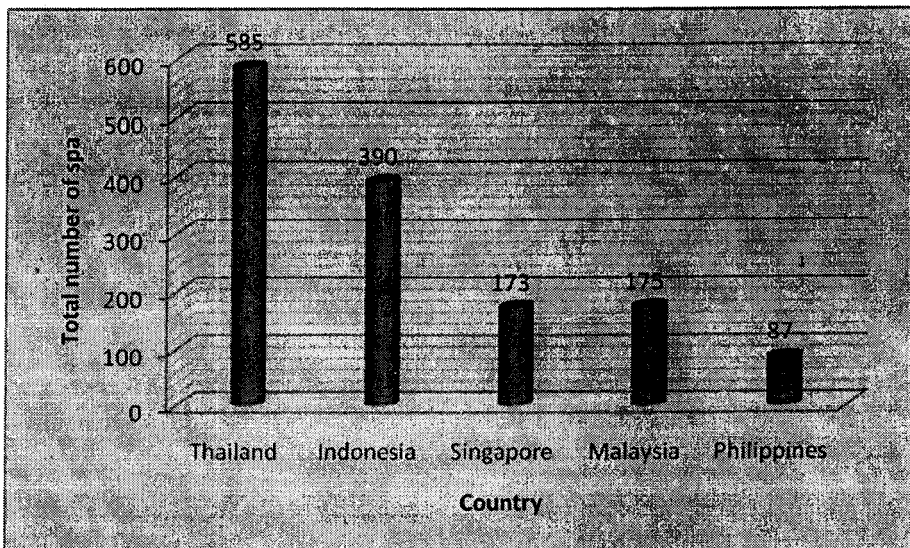


Figure 2.5 Total Numbers of Spas in 2007

(Analysis based on data sourced from: Intelligent Spas, Spa Industry Profile Malaysia 2002-2007, Spa Industry Profile Philippines 2003-2007, Spa Industry Profile Singapore 2003-2008 and Intelligent Spas, Thailand Spa Benchmark Report, 2002-2010 and Spa Industry Profile Indonesia 2003-2009)